

Message Text

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ACTION AF-06

INFO OCT-01 EUR-12 ISO-00 XMB-02 OPIC-03 SP-02 AID-05

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FM AMEMBASSY FREETOWN

TO SECSTATE WASHDC PRIORITY 1020

INFO AMEMBASSY LONDON

AMEMBASSY MONROVIA

AMEMBASSY CONAKRY

C O N F I D E N T I A L FREETOWN 0762

LONDON FOR HAVERKAMP

DEPT PLEASE PASS EXIM AND OPIC

E.O. 11652: GDS

TAGS: EFIN, EIND, EINV, SL, US

SUBJECT: RUTILE AGREEMENT AT LAST

1. SUMMARY: AFTER FIVE DAYS NEGOTIATIONS WITH HIGHEST LEVEL GOSL, BETHSTEEL HAS REACHED COMPROMISE AGREEMENT. GOSL BACKED DOWN SIGNIFICANTLY FROM PREVIOUS MINING POLICY. END SUMMARY.

2. AFTER FIVE DAYS OF MEETING INVOLVING PRESIDENT THREE TIMES AND VICE-PRESIDENT S.I. KOROMA AND MINISTER OF FINANCE KAMARA-TAYLOR EACH DAY, BETHSTEEL NEGOTIATING TEAM LEAD BY VICE PRESIDENT ED LEACH AND BART GREEN HAVE REACHED AGREEMENT WITH GOSL.

3. KEY TERMS OF AGREEMENT INCLUDE: A) EIGHT YEAR TERM BEFORE GOSL SHARE OWNERSHIP; B) GOSL ENTRY TO RESULT FROM PURCHASE OF SHARES, THUS PRESERVING KEY BETHSTEEL REQUIREMENT, E.E., CONCEPT OF PURCHASE TO CONFIDENTIAL
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OBTAIN PARTICIPATION; C) LIMITATION OF GOSL EVENTUAL PARTICIPATION TO 47 PER CENT; AND D) PLACEMENT OF

TWO GOSL DIRECTORS ON BOARD OF DIRECTORS IN NEAR FUTURE.

4. BY MID-DAY LAST FRIDAY, NEGOTIATIONS SEEMED TO HAVE REACHED IMPASSE UNDER LEADERSHIP OF S.I. KOROMA WHO AT TIMES APPEARED UNBRIEFED AND UNABLE TO UNDERSTAND CONCEPTS INVOLVED. SECRET INTERVENTION BY PRESIDENT STEVENS WITH SIERRA RUTILE VICE PRESIDENT FRASER, HOWEVER, IRONED OUT DIFFERENCES AND SET THE LIMIT FOR CONCESSIONS BY BOTH SIDES. WHEN KAMARA-TAYLOR TELEPHONED FRASER MONDAY MORNING TO INDICATE PROBABLE LIMITS TO GOSL FLEXIBILITY, HE WAS MERELY PARROTING POSITION ALREADY ARRANGED BY STEVENS.

5. ON TUESDAY TALKS STALLED OVER ISSUE OF HOW GOSL WOULD PAY FOR ITS 47 PER CENT PARTICIPATION. GOSL INSISTED ON USING RUTILE IN THE GROUND AS ITS PAYMENT. BETHSTEEL WANTED GOVERNMENT TO PAY WITH CASH AT BOOK VALUE. STEVENS ONCE AGAIN MET PRIVATELY, THIS TIME WITH FULL BETHSTEEL TEAM AND RESOLVED PROBLEM.

6. AT SESSION WEDNESDAY, APRIL 16, GOSL AGREED THAT, AFTER EIGHT YEARS, IT WOULD PURCHASE THOSE SHARES IT DESIRED UP TO 47 PERCENT THROUGH USE OF FUNDS DERIVED BY WITHHOLDING 10 PER CENT FROM SRL DIVIDENDS.

7. BETHSTEEL TEAM QUITE HAPPY AND HAS AGREED TO LET GOSL ORCHESTRATE TIMING AND CONTENT PUBLIC ANNOUNCEMENT OF AGREEMENT.

8. EXACT LANGUAGE NOW BEING DRAWN UP AND WILL BE POUCHED WHEN PROVIDED TO EMBASSY.

9. COMMENT: FORTY-SEVEN PER CENT LIMITATION IS DEFINITE SLIDE AWAY FROM PUBLICLY STATED MINING POLICY INSISTING ON 51 PERCENT GOSL OWNERSHIP. AGREEMENT INDICATES GOSL FLEXIBILITY AND PRAGMATISM ON POLICY OF GREAT IMPORTANCE. NEGOTIATIONS SHOW THAT PRESIDENT STEVENS IS STILL ULTIMATE ARBITER AND
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WIELDS DECISIVE POWER. PRESENCE OF BOTH LEADING SUCCESSORS TO STEVENS (KOROMA AND KAMARA-TAYLOR) AT ALL SESSIONS WILL GIVE ADDED LEGITIMACY TO AGREEMENT IN FUTURE. RESULT OF SUCCESSFUL NEGOTIATIONS MAY BE TO RAISE IMPORTANCE OF GOSL-USG RELATIONS FOR BOTH COUNTRIES.
SAMUELS

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